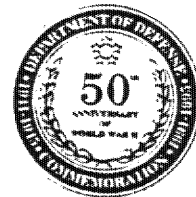




ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



17 SEP 1998

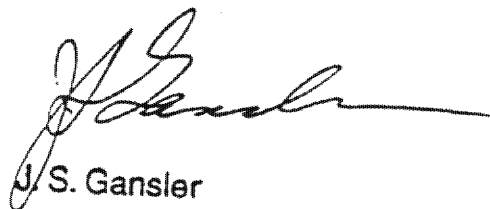
MEMORANDUM FOR THE SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTOR OF ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Establishment of a Study Group to Implement Reengineered Product Support Practices within the Department of Defense

Section 912(d) of the National Defense Authorization Act for Fiscal Year 1998, directs the Secretary of Defense to conduct a review of the organizations and functions of the Department of Defense acquisition activities and of the personnel required to carry out those functions. In his letter to Congress transmitting the implementation plan directed by section 912(c) the Secretary of Defense committed to changing the focus of the Department from managing supplies (i.e., buying for inventory) to managing suppliers and fundamentally reengineering DoD product support practices. Such product support reengineering presents an opportunity to reduce infrastructure costs and improve warfighting capability by restructuring sustainment processes above the operational level and aligning DoD with commercial logistics processes.

Accordingly, I direct the establishment of a study group, to be led by the Deputy Under Secretary of Defense (Logistics), to determine how best to implement reengineered product support practices within DoD. The charter for the study group is attached. Please identify study group participants (as specified in the charter) to Mr. Randy Fowler by September 22, 1998. Mr. Fowler may be reached at (703) 695-5145, or at [rrowler@acq.osd.mil](mailto:rrowler@acq.osd.mil). The initial study group meeting is scheduled for September 23, 1998, in the Pentagon, Room 3C640, 1300-1600 hours.

A final report of the study group will be provided to the USD(A&T), as specified in the attached charter, by March 1, 1999.

  
J. S. Gansler

Attachment



# CHARTER FOR THE PRODUCT SUPPORT STUDY GROUP

## INTRODUCTION AND BACKGROUND

A key tenet of the Department's Revolution in Business Affairs is restructuring its sustainment processes. Restructuring sustainment will result in more agile, more responsive product support processes. Likewise, it will result in fewer personnel in all aspects of product and commodity support and in fewer support organizations. Expanded reliance on competitive sourcing for product support will require the establishment and maintenance of long-term relationships with organizations (public and private) who are properly incentivized to provide dependable delivery at affordable prices. Innovative support concepts such as direct vendor delivery and prime vendor must be expanded. Aging weapon systems must be modernized by using modular components and open architectures to allow the introduction of new technology. Many types of acquisition and logistics initiatives must be combined to provide reengineered product support practices to allow the Department to shift a major share of its resources from infrastructure to modernization and combat functions.

In the recent Secretary of Defense Report to Congress,<sup>1</sup> five actions were specified that must be taken to restructure DoD sustainment processes, four of which are under the purview of this study group<sup>2</sup>:

- Section 2.1. Reengineer the Product Support Process to Use Best Commercial Practices;
- Section 2.2. Competitively Source Product Support;
- Section 2.3. Modernize Through Spares; and
- Section 2.5. Greatly Expand Prime Vendor and Virtual Prime Vendor.

These actions will be examined both independently and in concert to determine implementation strategies to achieve desired reengineered product support processes. Clear identification of these implementation strategies will guide acquisition and logistics managers in developing product support concepts applicable to both legacy and new systems.

## AUTHORITY AND DIRECTION

DUSD(Logistics) is directed to establish a study group to recommend actions necessary to implement reengineered product support practices. The study group membership shall include representatives from the following organizations:

- Office of the Secretary of Defense
  - DUSD(Acquisition Reform)
  - DUSD (Industrial Affairs and Installations)
  - Director, Test Systems Engineering & Evaluation
  - Director, Program Analysis & Evaluation
  - Director, Defense Research and Engineering
  - Director, Defense Procurement
  - DoD Comptroller
- Joint Staff/J4

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<sup>1</sup> Secretary of Defense, *Actions to Accelerate the Movement to the New Workforce Vision*, April 1, 1998, pp. 6-10.

<sup>2</sup> The fifth action, Section 2.4., Establish Program Manager Oversight of Life Cycle Support, is assigned to USD(A&T)/Acquisition Program Integration as the study team leader.

- Military Departments
- DoD Inspector General
- Defense Agencies

Team members shall be selected to ensure both acquisition process and logistics management perspectives. This effort will be fully coordinated with the Section 912 study group examining Program Manager Oversight of Life Cycle Costs (PMOCLS) and the Logistics Planning and Integration Task Force initiated by the PDUSD(A&T).

## STUDY OBJECTIVES

The study group shall determine how to implement reengineered product support practices within DoD. The study group shall be guided by, but not limited to, the following objectives:

- Define the scope and context of product support.
- Identify existing funding and manpower levels required to provide weapon system product support.
- Determine which elements of reengineered product support are key to support JV2010 Focused Logistics and the DoD Logistics Strategic Plan.
- Examine leading examples of reengineered product support practices, for example:
  - \* Army
    - Paladin M109 mobile howitzer
    - Apache helicopter support
    - Mobile Subscriber Equipment
    - Revolution in Military Logistics
    - Velocity Management
  - \* Navy
    - Ballistic Missile Program
    - DD-21
    - Regionalization
    - Supply system reengineering
    - Direct Vendor Delivery (DVD) for Reparables
  - \* Air Force
    - C-17 Flexible Sustainment
    - F-117 Contractor Support
    - Strategic Sourcing Program
    - Agile Logistics
    - Performance Based Business Environment
  - \* Defense Logistics Agency
    - DVD
    - Prime Vendor
    - Virtual Prime Vendor
    - “E-Mall” technology
    - Flexible on demand manufacturing
- Examine programs underway that are reducing total ownership costs such as the Commercial Operations and Support Savings Initiative (COSSI).
- Examine ways to leverage commercial technological advances to reduce operations and support costs.
- Describe the relationship between life-cycle product support and the weapon system acquisition process.

- Determine criteria to select weapon systems best suited for contractor-provided product support.
- Identify strategies to integrate product support concepts with existing and future standard supply, maintenance, transportation, and information systems.
- Identify how to integrate product support strategies with theater support and the warfighter.
- Identify the risks associated with the proliferation of unique product support structures and identify opportunities to reduce that risk.
- Identify actions necessary to incentivize greater sustained investment in modernization through spares (MTS) and reliability, maintainability, and supportability (RM&S) initiatives.
- Determine to what extent MTS and RM&S initiatives should be pursued under commercial product support (e.g., power-by-the-hour, Direct Vendor Delivery for Repairables) and to what extent through direct investments.
- Identify metrics that demonstrate progress toward competitively sourced product support strategies, (e.g. indicate on a weapon system basis the amount of competitively sourced product support as measured by operations and support costs.)
- Assess financial control and property accountability implications.
- Assess the viability of the A-76 process as a tool for competing product support; identify and assess alternatives to the A-76 process.
- Identify how product support strategies can best embrace private sector type supply chain integration and best value sourcing.
- Assess viability of greatly expanded vendor managed inventory.
- Identify changes necessary to implement a streamlined buyer-seller approach for logistics working capital funds.
- Identify legislative and regulatory changes that must be made to implement product support concepts.
- Recommend actions necessary to remedy issues and concerns that prevent implementation of desired product support strategies.
- Identify acquisition strategies that best promote competition for product support in each segment of the weapon system life cycle.
- Recommend across-the-system, infrastructure-wide solutions, in addition to strategies related primarily to individual weapon systems.
- Identify current Acquisition Reform initiatives to be considered as tools to implement product support reengineering strategies.

## SCHEDULE

The study group will:

1. Provide an in-process review (IPR) to the USD(A&T) and other study team senior leadership 60 days after start.
2. Provide a draft final report to the DUSD (Logistics) by January 15, 1999.
3. Report its conclusions and recommendations to the USD(A&T) by February 12, 1999.
4. Provide a final report to the Deputy Secretary of Defense by March 1, 1999.